

8 JUN 1962

MEMORANDUM FOR: Chief, Audit Staff

THRU : Deputy Comptroller

SUBJECT : Report of Audit, Property and Fiscal Unit
of Accounts Branch, Finance Division as of
31 October 1961

1. The subject report of audit has been reviewed by this office and our comments concerning the findings and recommendations are stated herein.

2. In the summary of findings portion of the report, reference is made to the staffing pattern of the unit and also to the required close coordination of effort and procedures between the Office of Logistics and Office of Comptroller.

a. We do not agree that the staffing pattern of the unit (Property and Fiscal) has not been adjusted as increased workload developed from a greater volume of procurement transactions. As personnel became available shifts within the Finance Division have been and are being made in an effort to place personnel in the most critical areas and to perform work of the highest priority. The Property Unit has an official T/O strength of four (4) and since September 1961, seven (7) persons have been assigned in an effort to maintain the current volume of workload and at the same time to make analyses of previous transactions and take steps to clear unliquidated balances in property accounts.

b. It is recognized that the design of the Headquarters property system as it relates to financial accountability requires that the Office of Logistics assume responsibility for correction of deficiencies in basic documentation initiated and processed by them which contribute to the inaccuracies in the financial accounts. Numerous requests, both oral and written, have been made to the Office of Logistics for documentation needed by the Finance Division to clear residual balances in financial accounts as well as requests that the Office of Logistics take corrective action. This is a time consuming operation for both offices. In view of the inadequacies of the present system the Office of the Comptroller is planning on surveying these activities with the view of developing proposals to improve the control over the flow of documentation from Logistics in support of the transactions reported, simplifying the system wherever possible, and providing for the elimination of unnecessary paper work.

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3. With respect to the recommendations stated in the subject report, set forth below are our comments thereto, keyed to the sub-paragraphs of the report:

a. Type I System

(1) Paragraph 4.a.(1)

- (a) During the past year, three different employees have been assigned to process the Type I property reports, the periods of assignment ranging from two to six months, and due to oversight the reconciliations were not always noted indicating that dispatches had been prepared. Under current procedures, when reconciling a field report, the reconciliations are annotated to the effect that a dispatch has been initiated and a copy of the dispatch is filed in the reconciliation folder. In reviewing all vouchers and reconciliations prepared, the supervisor ensures that appropriate correspondence has been initiated.

- (b) At the present time, dispatches have been sent to all field stations concerning items that have been suspended by Headquarters and regular follow-ups are made when replies are not received in due course. Two items remaining in Account No. 195, that require Headquarters action in order to clear, relate to accounts payable that were originally transferred to the [REDACTED] Stock Control Center at the time the SCC was closed. Action is being taken to request authority to write-off these items.

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(2) Paragraph 4.a.(2)

A senior member of the Accounts Branch was detailed full time to analyze the Supply Control Center - [REDACTED] portion of Account No. 195 - Accountability of Decentralized Installations and his report of analysis in which he recommended that the balance of this account be written-off has been approved and a voucher processed clearing the balance from this account.

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(3) Paragraph 4.a.(3)

As was recognized in the report of audit, many hours have been spent by employees assigned to the Property Unit in analyzing Account No. 195 - Accountability to Headquarters - Property Purchased for Cash by Type I Installations Under FPA and preparing correspondence to the stations. At the present time correspondence has been initiated to all stations on outstanding balances which relate to activity reported prior to January 1962. Normal procedure, which is considered adequate is to prepare correspondence on any item that is open over ninety days.

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(4) Paragraph 4.a.(4)

In view of the difficulties that were being encountered in reconciling expenditures reported relative to local property procurement and the FPA reports, it had been suggested to several field stations that a reconciliation be included with their monthly financial reports. This form of reconciliation with some modification has now been included in a proposed revision to [REDACTED] recently prepared by the Technical Accounting Staff.

(5) Paragraph 4.a.(5)

- (a) The new procedure with respect to materiel in-transit which was put into effect 1 January 1962 provides the Finance Division and field finance officers with the necessary documents and controls to insure that property shipped is received and recorded. We believe this procedure overcomes the major problem encountered in the past.
- (b) During the period 15 November 1961 to 27 March 1962, 302 balances have been cleared from Account No. 175.8 and 653 balances from Account No. 175.9, and schedules have been prepared and forwarded to the Office of Logistics covering the balances in Account No. 175.9 as of 30 November 1961 which were not identified as to receiving installation or which were identified as non-Type I installations.
- (c) Beginning 1 July 1961, we have been receiving copies of shipping documents from the Office of Logistics. The open transactions in Account No. 175.9, that were reported between 1 July and 31 December 1961, have been reviewed in conjunction with the shipping document file. Schedules of Shipments, covering those transactions for which we have received documentation, have been prepared and forwarded to the field stations. With respect to the items for which no evidence of shipment is available we are calling these to the attention of the Office of Logistics with the request that they review their records to verify that the shipments were made and provide us with the necessary documentation to clear the account. In the event some of the shipments were never consummated adjustments will have to be initiated by Logistics to clear them from the in-transit account.

(6) Paragraph 4.a.(6)

Since the procedure to be followed to clear transactions from Account No. 175.9 is the same for items established in the account prior to 1 January 1962 as it is for items established subsequently, and as

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open items can be identified and aged based on the date reflected in the machine listing, we do not believe there is any need or benefit to be accrued by maintaining a separate record for transactions recorded subsequent to 1 January 1962.

(7) Paragraph 4.a.(7)

- (a) We agree with the recommendation that full details of the open balances in Accounts Nos. 175.8 and 175.9 be retained in machine listings until they have fully cleared. Machine listings for the period ended 31 March 1962 reflected the detail of all open items which have been processed since 1 January 1961.
- (b) With respect to coding of property transfers in Account No. 175.8, current transactions are controlled in the machine listing by receiving station, and based on the machine listing as of 31 March 1962 we have made the conversion of all previous transactions from the shipping to the receiving station number.
- (c) With respect to materiel transferred to Headquarters by Type I Installations, agreement has been reached with the Office of Logistics and Automatic Data Processing Division whereby transactions in Account No. 175.9 will be coded with a common identification number which will permit automatic clearance through machine techniques.

b. Type II System

(1) Paragraph 4.b.(1)

The problem of handling Annual Dollar Value Reports from Type II Installations has been resolved and Comptroller Instruction No. 65 has been revised accordingly. The reports due as of 28 February 1962 are being reviewed and a method of reconciliation is being developed to bring these accounts into a current status.

(2) Paragraph 4.b.(2)

The erroneous balances reflected in Account No. 176.0 as at 29 September 1961 have been analyzed and schedules have been prepared and transmitted to the Office of Logistics under dates of 14 December 1961 and 19 January 1962 requesting that these transactions be reviewed and actions initiated to correct.

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c. Accounts Payable - Property

(1) Paragraph 4.c.(1)

- (a) A concentrated effort is being made to clear the old and improper items from this account; however, it should be recognized that a considerable amount of time will be required to complete this operation, since documentation has to be obtained from the Office of Logistics and the Fiscal Division in order to analyze and determine the required action to clear the old balances.
- (b) In the report of audit the summary ageing and analyses of the balances of accounts payable make reference to uncompleted purchase orders. Entries to this account are not made based on purchase orders but are made at the time material is received and the open items are controlled by receiving report number within the purchase order number.
- (c) Set forth in the tables below are the numbers and dollar values of accounts payable which have been cleared during the period 15 November 1961 to 28 March 1962.

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Account No. 303.2



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- (d) Action will be taken in the near future to analyze and clear the open balances reflected in Account No. 303.4.

d. Accounts Receivable - Property Sales

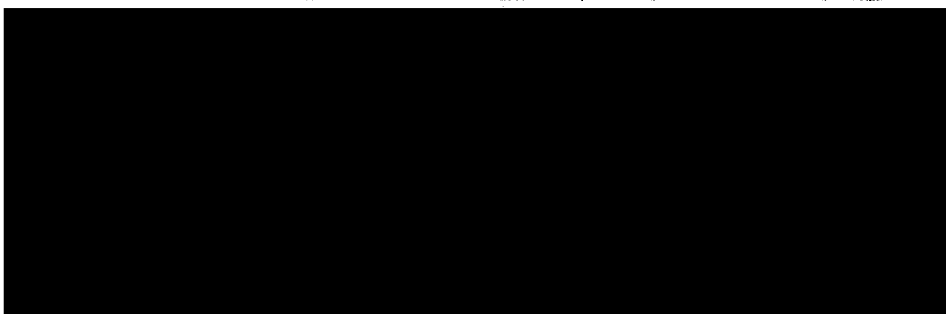
(1) Paragraph 4.d.(1)

- (a) The machine listing of Account No. 152.5 as at 30 November 1961 has been analyzed, and as of 28 March 1962 eighty-six (86) of the open items in the summary analysis and ageing table in the report of audit have been cleared as follows:

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Debit Balances

Credit Balances



- (b) Memoranda have been written to the Office of Logistics and to the Fiscal Division, as appropriate, requesting the information required to clear the items that have remained in this account over 60 days.

(2) Paragraph 4.d.(2)

Action has been taken by this office to ensure that the procedures prescribed in Comptroller Instruction No. 68, as they apply to the functions of the Finance Division, are followed.



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Chief, Finance Division

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